settlements model.[44] On May 23, 1986 the Commission granted NECA an indefinite waiver to continue to reimburse pooling cost companies under the "traditional settlements model" approach.[45] Action was never taken on NECA's petition.

Initial comments on that rulemaking suggested that it be delayed because of the rapid changes taking place in the access charge environment. Now that 94 percent of the industry is no longer in the NECA pools and is under price cap regulation rather than traditional rate of return regulation, these rules changes, as updated, should proceed.

The proposed Part 69 rules reflect the settlement methods in place since 1984 and remove the inaccurate references to computing hypothetical net balances.[46] Existing Sections 69.608, 69.609 and 69.610 (47 C.F.R. §§ 69.608, 69.609, & 69.610) have never been used to effectuate settlements in the NECA pools. The proposed rules reflect the actual methods used since 1984 and should not be a matter of controversy.

VIII. CONCLUSION

NECA supports the efforts of the Commission to effect regulatory reform for the small and mid-size exchange carriers

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[44] Petition for Rulemaking, Amendment of Part 69 of the Commission's Rules, R.M. No. 5207, filed by NECA on October 23, 1985.

[45] MTS and WATS Market Structure, Order Granting Waiver, CC Docket No. 78-72 Phase I, (CC 4701) released May 23, 1986 waiving until further notice Sections 69.605 through 69.611 of the Commission's rules.

[46] See proposed rule revisions in Appendix A.

subject to traditional rate of return regulation. After careful analysis, NECA has determined that pooling companies will continue to require annual access tariffs that are based on prospective revenue requirements and demand. In these comments, however, NECA has demonstrated several ways in which the Commission can streamline administrative burdens for these carriers.

NECA requests the Commission to adopt new provisions permitting eligible companies to elect average schedule status, simplified standards applicable to the introduction of new services and the extension of these standards to existing de minimis services, optional pricing flexibility for rate of return carriers and a new rule that will encourage development of pooling incentive options. NECA also proposes that the NECA pooling process be accurately reflected in the Commission's rules, and that exchange carriers opting for incentive regulation receive exogenous-like treatment of their Long Term Support obligations. These proposals, if adopted by the Commission in its final order, will further the goals of this proceeding.

Respectfully submitted,

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

By Joanne Salvatore Bochis

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August 28, 1992

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By /s/Joanne Salvatore Bochis
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Appendix A

PROPOSED PART 69 RULE MODIFICATIONS
GOVERNING AVERAGE SCHEDULES, INCENTIVE PLANS AND NECA POOLING

§ 69.605 Reporting and distribution of pool access revenues.

(a) Access revenues and cost data shall be reported by participants in association tariffs to the association for computation of monthly pool revenue distributions in accordance with this Subpart.

(b) Association expenses incurred during the month that are allowable access charge expenses shall be reimbursed before any other funds are disbursed.

(c) Except as provided in paragraph (b) of this Section, payments to average schedule companies ~~that are~~ shall be computed in accordance with §69.606 ~~shall be~~ and disbursed before any other funds are disbursed. For purposes of this Part, ~~a telephone company that was participating in average schedule settlements on December 1, 1982,~~ companies who had average schedule status prior to adoption of Section 69.605(e) may continue to be average schedule companies. Additionally, telephone companies may elect average schedule status pursuant to Section 69.605(e). ~~shall be deemed to be an average schedule company except that any company that does not join in association tariffs for all access elements shall not be deemed to be an average schedule company.~~

(d) The residue shall be disbursed to telephone companies that are not average schedule companies in accordance with §§ 69.607 ~~through 69.610~~ and 69.608.

(e) Any telephone company serving less than 10,000 access lines is eligible to make an election by December 31, 1992, for an effective date of July 1, 1993 to become an average schedule company. Following July 1, 1994, telephone companies under 10,000 lines would be allowed to convert to average schedule status upon 60 days' notice. Any average schedule company altering its status after July 1, 1993 must wait four years before returning to average schedule status. Telephone companies electing average schedule status pursuant to this section must join all association tariffs.

§69.606 Computation of average schedule company payments.

(a) Payments shall be made in accordance with a formula approved or modified by the Commission. Such formula shall be designed to produce disbursements to an average schedule company that simulate the disbursements that would be received pursuant to § ~~69.607~~ 69.608(d) by a company that is representative of average schedule companies.

(b) The association shall submit a proposed revision of the formula for each annual period subsequent to December 31, 1986, or certify that a majority of the directors of the association believe that no revisions are warranted for such period on or before December 31 of the preceding year.

§69.607 ~~Disbursement of carrier common line residue.~~ Computation of optional incentive company payments.

~~(a) The association shall compute a monthly net balance for each member telephone company that is not an average schedule company. If such a company has a negative net balance, the association shall bill that amount to such company. If such a company has a positive net balance, the association shall disburse that amount to such company.~~

~~(b) The net balance for such a company shall be computed by multiplying a hypothetical net balance for such a company by a factor that is computed by dividing the Carrier Common Line residue by the sum of the hypothetical net balances for such companies.~~

~~(c) The hypothetical net balance for each company shall be the sum of the hypothetical net balances for each access element. Such hypothetical net balances shall be computed in accordance with §69.608 - §69.610.~~

The association may offer optional incentive plans to association tariff participants. Such incentive plans shall be designed to encourage economic efficiencies, infrastructure development and high quality service in companies electing to receive such incentive plan payments. Incentive options shall be filed with the Commission ninety days prior to use in calculating payments for participating companies.

§69.608 ~~Carrier common line hypothetical net balance.~~ Computation and distribution of telephone company net balances.

~~The hypothetical net balance shall be equal to a Carrier Common Line revenue requirement for each such company that is computed in accordance with Subpart F of this Part.~~

(a) The association shall compute a monthly net balance for each telephone company participating in association tariffs. If such net balance is negative, that amount shall be billed by the association to the company. If such net balance is positive, the association shall disburse that amount to the company.

(b) The net balance for an average schedule company shall be equal to the payment due such company, calculated as set forth in formulas filed pursuant to Section 69.606, less the access revenues reported to the association by the company.

(c) The net balance for a telephone company that participates in any of the association's optional incentive plans shall be equal to the payment due such company, computed as described in plans filed pursuant to Section 69.607, less the access revenues reported to the association by the company.

(d) The net balance for any other telephone company that participates in association tariffs shall be equal to a payment calculated to reimburse the company for its operating expenses and taxes and to provide a share of remaining pool revenues based on relative net investment, less the access revenues reported to the association by the company.

Delete Sections 69.609 and 69.610.